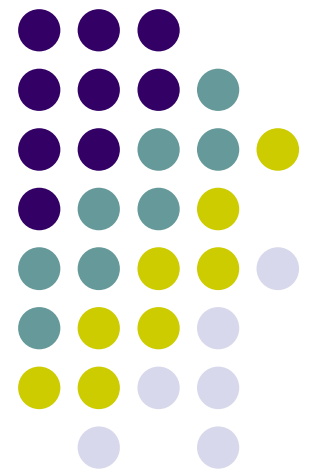
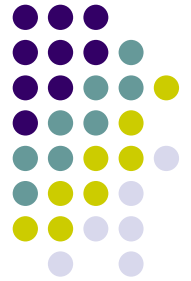


Purchaser's Perspectives on the Certificate of Need Statute

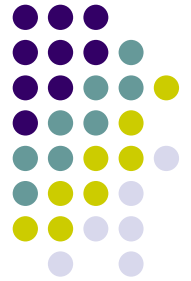
Health Care Purchasers
Presentation to the
Task Force
June 28, 2006





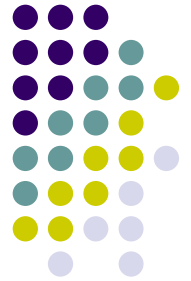
Health Care Financing

- Business purchases health care coverage or insurance for employees and dependents
 - Cost of coverage includes all services, administration and commissions/consulting expenses
 - Employees may pay a portion of the premium costs
 - Health care benefits generally provided to full-time employees
 - Part-time and temporary workers generally not covered
- Health care coverage benefits through business may have higher member cost-sharing and more coverage restrictions than Washington State Basic Health
- Health care (whether insured or self-funded) is typically one of the largest costs to a business
- Business does not have specific control over cost or quality of healthcare purchases and limited ability to negotiate for price advantage



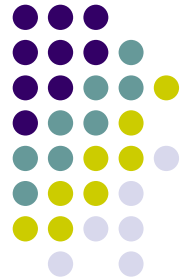
Impact of Health Care Costs

- Health care costs significantly impact business competitiveness
- Large/Small Business
 - Large employers have different financing options and opportunities
 - Smaller employers struggle to provide any level of health care coverage, some have dropped health care coverage
 - Health of the employees impacts productivity and absenteeism
- Domestic/International
 - While employers have a relatively level playing field domestically, US employers are disadvantaged internationally
 - Many countries fund health care with a broader tax base
 - US employers must build the cost of health care into their pricing
 - Retiree medical coverage exacerbates this issue



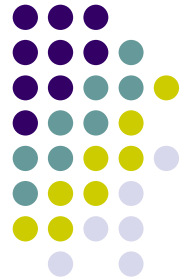
Business Dynamics

- Difficult decisions needed with health care insurance rising at 10-20% per year and business growing at 3-5%
- Past responses (1980's and 1990's)
 - Cost shifting to employees
 - Plan design strategies to contain costs
 - Managed care & shared risk
 - Patient volume for negotiated discounts
 - Curtailment of benefits/health care coverage
- Resultant climate has polarized labor and management, business and health care providers
 - Labor unions sponsoring their own health care plans have experienced the same dynamics



Current Business Responses

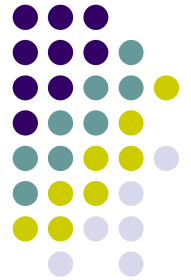
- Consumer education & engagement
 - Timely & appropriate utilization of health care services
 - Appropriate use of the emergency room
- Early 2000's rising health care costs spurred study highlighting quality efforts as driver of lower/sustainable costs
- Performance standards, incentives and penalties
 - Quality emphasis/reducing practice variation among providers
 - Accountability for measurement and oversight among insurers
- Preventative care emphasis
 - Immunizations
 - Screenings
- Healthy lifestyles promotion
 - Smoke free workplaces
 - Exercise facilities
- Collaboration with government, providers and insurers



Collaborative Efforts

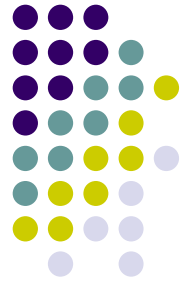
- Business wants the highest quality health care for the dollars spent
 - Concerned with misuse, overuse and under-use of medical services
 - Desire improved health outcomes and reduced practice variation
 - Seeking efficiency in administration
 - Encourages public reporting of provider/facility quality & cost data, and
 - Information about effectiveness of alternative treatment options
- Examples:
 - Leapfrog (national)
 - Sponsored by large national organizations to reduce preventable medical mistakes
 - Reward doctors and hospitals for improving quality, patient safety and service affordability
 - Puget Sound Health Alliance (regional)
 - Collaboration of public & private employers, providers and insurers to improve the quality of health care delivery
 - Use of evidence to identify and measure quality
 - Various Business Groups on Health (national and regional)
 - Documenting major cost drivers and their impact on costs, quality, and access
 - Forum to share best practices for benchmarking

Business Expectation of Government Role in Healthcare



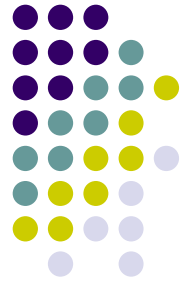
- Healthcare is different from other business
 - Quantity of services, facilities and equipment does not fluctuate with the demand
 - Infrastructure costs are passed through to the consumer/payer
 - Information is not available such that consumers can shop based on cost and quality
- Choice in health care should be maintained
 - Supports competitiveness, creativity and advancement
- Government should provide sufficient oversight to assure quality, safety and cost containment
 - Drive common standards
 - Pursue collaboration among all stakeholders

Purchaser's Recommendations



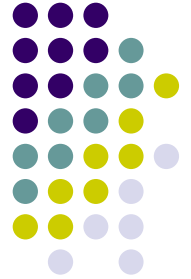
- State needs a current dynamic plan for health care
 - Addresses the delivery system and financing
 - Perspectives of all parties needed
- Business traditionally doesn't ask for extra regulation but because of the way health care operates there is a need for some oversight
- A Certificate of Need program is one of government's tools in overseeing this complex health care system
 - Every good business has strategic planning, budgeting and capital expenditure oversight processes
 - CON helps implement a strategic plan for health care delivery in WA

Purchaser's Recommendations



- Principles for a Certificate of Need Program
 - Promote stable, cost-efficient delivery system
 - Assure reasonable access to facilities & equipment
 - Apply current criteria & standards supported by timely and complete data
 - Incorporate evidence-based outcomes where available into quality criteria & standards
 - Regulate cost- and volume-sensitive service & facilities
 - Balance community choice with service adequacy which supports appropriate utilization
 - Assure and monitor accountable health practice
 - Operate in a transparent manner which facilitates public input and participation

Questions?



Thank you!